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SENSITIVE
SIPDIS

STATE FOR EAP/CM, EAP/EX AND EEB/CIP
STATE PASS TO USTR, EXIM, OPIC, USTDA
BEIJING FOR FCS
USDOC FOR ITA FOR ZGCROSS

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SUBJECT: EEB/CIP AMBASSADOR GROSS SURVEYS MONGOLIA'S ICT PROGRESS,
CHALLENGES

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SENSITIVE BUT UNCLASSIFIED --NOT FOR INTERNET DISTRIBUTION.

¶1. (SBU) SUMMARY: Ambassador David A. Gross and Whitney J. Witteman of the U.S. Department of State's Bureau of Economic, Energy and Business Affairs visited Mongolia from June 21-24, during which time they met with senior Mongolian officials involved with setting and regulating ICT policies, representatives from the cellular telecommunications industry, the Ambassador and embassy officers, and visited USAID projects. Ambassador Gross praised the efforts of both the Government of Mongolia and private enterprise to expand connectivity to better serve both rural and urban customers, and he encouraged the GOM to continue to pursue technology neutrality and open Internet policies and regulations that have been so successful elsewhere. Post and Ambassador Gross will consider further efforts to expand cooperation. END SUMMARY.

Meeting with GOM ICT Policy and Regulating Agencies

¶2. (SBU) U.S. Coordinator for International Communications and Information Policy, Ambassador David A. Gross, and Whitney J Witteman, Director for EU, East Asia & Pacific in the Office of International Communications and Information Policy, visited Mongolia June 21-24. Ambassador Gross met in separate meetings with the Chair and Vice-Chair of the Information Communication Technology Agency of Mongolia (ICTA), the Chairman of the Communication Regulatory Committee (CRC), and the CEO of the state-owned fixed-line telecommunications company, Mongol Telecom. The ICTA, under the authority of the Prime Minister of Mongolia, develops ICT policies for Mongolia and works with public and private entities to execute those policies. Key among these policy initiatives are efforts to create more effective fiber-optic links between Asia and Europe, using Mongolia as a bridge. Currently, Mongolia is a terminal point for most traffic. The ICTA, using concepts developed from earlier assessments conducted by the Millennium Challenge Account (MCA), has sought U.S. investment and management to encourage more internet traffic between Europe and Asia flowing through Mongolia as a way to generate fees that would go to the Mongolian government and the operators.

¶3. (SBU) In addition, ICTA reps articulated their goal of linking all Mongolian citizens to both the Internet and telephony. The Vice Chair explained that while relatively high percentages of the

population had cellular and IT links--for instance, 176 out of 320 soums (counties) have access to regular, reliable mobile service, many rural and sub-urban users in Ulaanbaatar's outlying districts still lacked any sort of reliable links to mobile and Internet services provided by the GOM, let alone links to the other commercial and non-commercial Internet sites. These deficiencies prevent the GOM from capitalizing on the delivery of open, transparent e-government services nationwide. The ICTA Chair concluded by explaining his intention to merge the CRC, the ICTA, and other disparate ICT programs into one ministry combining policy, implementation, and regulation--a reform that he felt would make developing the sector more seamless and efficient. He explained that this merger would be relatively easy to achieve as a broad consensus for it existed among the agencies and other political institutions.

¶4. (SBU) The CRC Chair echoed most of the ICTA's sentiments. However, he strongly disputed the ICTA's claim that the CRC wanted to or would willingly accept merging with the ICTA. Although he did not explain his reasons for rejecting such a merger (other than general issues of rule of law), it was clear that he did not approve of the concept, noting simply that it would not be easy to curtail the CRC's mandate. Its existence as an independent, self-funded regulatory agency was established by laws, which would not be easy to change. The transition to digital television (DTV) was also raised. The CRC Chair explained that they are considering moving to such a standard in the next couple of years and planned to adopt the European DTV standard. Ambassador Gross noted that the EU's standard was certainly usable but cautioned that complete adoption and implementation in Europe was years away. He suggested that the Mongolians monitor the U.S. experience implementing the U.S. standard, set to occur in February 2009, and he invited further dialogue on the subject.

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¶5. (SBU) Ambassador Gross acknowledged the many challenges faced by the GOM as it tries to establish high levels of connectivity in the least densely populated country in the world, but praised Mongolia's obvious accomplishment in going from essentially zero mobile phone and ICT penetration to over 50% in little over decade. He attributed this progress to Mongolia's commitment to competitive markets for mobile phone carriers and its open policy on Internet traffic (Mongolia, unlike both of its neighbors, does not filter or monitor users' online activity) as well as the GOM's stated policy of technology neutrality. Establishing service parameters, and allowing users and firms to decide what solutions best meet their needs has led to ICT penetration rates that any emerging nation (and some developed ones) would envy. The Ambassador added that the GOM was correct to focus on completing its national coverage of high speed wireless networks (including mobile phone networks) as they would be the most effective way to deliver a full range of IT services to currently underserved populations. Ambassador Gross also raised the issue of WiMax in Mongolia. Both agencies explained that Mongolia had awarded licenses to two WiMax providers for data-only services and that their licenses did not allow them to provide mobile phone services. GOM officials said they intend to issue other high speed wireless or "3G" licenses during the upcoming year. The Ambassador quizzed them on their sense of implications of WiMax for service provision, especially in terms of WiMax as competitor of existing ICT providers. The CRC Chairman explained that their decision so far to restrict WiMAX licenses to data-only was made to protect the initial investment of the firms who purchased licenses to operate cell phone networks.

Meetings with Private Industry

¶6. (SBU) Ambassador Gross and post hosted lunch for senior executives of the three major local cellular service providers, Mobicom, Skytel, and Unitel, whose firms collectively control 95% of the market. Mobicom, the largest firm with nearly 65% of the cellular market, is also an ISP. The Ambassador queried the three executives about their relations with the ICTA, the CRC, and other government entities. They gave a generally positive assessment of the GOM's roll in promoting ICT in Mongolia, noting that it was

neither restrictive nor particularly proscriptive regarding what sort of technologies to use to deliver services consistent with their licenses. Their primary complaint was that occasionally the ICTA intervened on pricing decisions, ordering them to lower or restrict their prices. Although they claimed that neither the ICTA nor the CRC had a formal legal or regulatory authority to mandate price levels (beyond, say, delivering life-line service to poor customers), the firms tended to abide by ICTA price level demands. They also criticized the CRC for its plan to issue "too many" WiMax licenses. The existing five cellular operators are to receive 3G licenses for mobile services; and the CRC plans to auction off additional competing wireless licenses. 3G services, including WiMax, are ideal for new and potentially lucrative data services and the firms expressed a concern that there might be too many entrants providing those services as they transition away from current businesses models that generate income and profit from providing voice services, especially in light of Mongolia having only about 2.7 million people. Ambassador Gross acknowledged their concerns, but then explained how Indian firms, faced with radically low rates for voice services, have begun to provide a range of other services, which has boosted their margins. He advised the firms to consider that their dominance in the cellular networks gave them a good avenue to provide such services to their markets.

Comment

17. (SBU) Post wishes to express its appreciation to Ambassador Gross and Director Witteman. Key USG aims to encourage Mongolia to continue and deepen its open, technologically neutral ICT sector were met. The visit also allowed Ambassador Gross and post to identify additional targets of opportunity. First, Ambassador Gross noted that Mongolia and the U.S. share key values and approaches to the promoting ICT, and that Mongolia's support for USG positions should be enhanced by supporting and encouraging Mongolian participation in international fora, such as next January's ITU

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meeting in Geneva (to be hosted by the FCC). Consequently, Ambassador Gross and post agreed to encourage high-level visitors to come to Mongolia in the upcoming months, to consider and advise on funding sources to underwrite GOM travel to important events and trainings, and to help Mongolia identify its own ICT needs and advise on approaches to satisfying those needs. In addition, post will continue to explore and report Mongolia's adoption of 3G technologies including WiMax, as well as examine how committed the CRC is to adopting the EU's DTV standard. Lukewarm support for a lagging EU approach may open an avenue for the US DTV standard.

18. (U) This message was cleared by Ambassador Gross.

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